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Top Secret 233

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday December 4, 1976

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NATIONAL SECURITY INFORMATION
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State Dept. review completed

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National Intelligence Daily Cable for Saturday December 4, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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MEXICO: Land Invasions

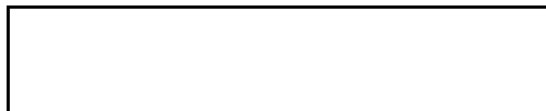
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[REDACTED] Thousands of landless peasants have invaded private farms in Mexico's Sinaloa state, presenting President Lopez Portillo with his first political test.

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[REDACTED] Encouraged by former president Echeverria's massive land expropriations last month in neighboring Sonora state, the peasants, some of them reportedly armed, have set up temporary shelters on land north of the Sinaloa state capital of Culiacan and are preventing farm owners from planting or harvesting crops. Landowners hope to get court orders to evict the invaders.

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[] Even though the government has already distributed some lands to peasants in the region, there are reports that some of those who have been awarded plots are now complaining about unequal distribution. Meanwhile, the number of peasants wanting land far exceeds the number of those who have received any.

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[] Violence is a real possibility. It has been avoided thus far, and Lopez Portillo will probably try to calm the situation by promising the peasants that their demands will be considered.

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[] Newly appointed peasant and agrarian reform leaders may attempt to work out a further compromise between land-owners and peasants. Lopez Portillo has indicated that he believes further land distribution will not solve the rural problem.

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[] If the situation gets out of hand, the new President probably would use the army to maintain order. Up to now, the army has stayed out of the controversy. []

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LEBANON: Situation Report

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[] Small-scale clashes between Palestinian and Christian units are continuing around Ayn Ibil, Bint Jubayl, and Qulayah in southern Lebanon, but they do not appear likely to spark major renewed fighting in the area or to unravel the cease-fire. The unresolved questions of the Palestinians' future role in the south and confiscation of heavy weapons held by Christian, Palestinian, and leftist militias continue to pose the most serious obstacles to full implementation of the cease-fire.

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[] Neither Christian nor Muslim leaders, still wary of each other's intentions as well as of the Syrians' aims, are willing to be the first to hand over their arms. Both sides, moreover, continue to disagree on the interpretation of the ambiguous 1969 Cairo accords regulating fedayeen activities in Lebanon.

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[] The Palestinians have long maintained that the Cairo agreement allows them to retain weapons within refugee camps and in the southern border region. Christian Phalanges leader Pierre Jumayyil, however, earlier this week stated that the Cairo accords were only valid at a time when anti-Israel activity was expected on all Arab fronts and that Lebanon should now follow the example of other Arab countries in avoiding confrontation with Israel.

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[] The question of arms collection is certain to be a principal item of discussion at next week's expected first meeting of the quadripartite committee of Syria, Egypt, Saudi Arabia, and Kuwait, which was set up at the Riyadh summit to interpret the Cairo accords. Some plans for resolving the issue are already being aired.

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[] One proposal calls for Syrian confiscation of weapons taken from the former Lebanese national army by Lebanese leftist and Christian factions. This would, however, leave unresolved the questions of the Palestinians' retention of their weapons and the Christians' retention of Israeli-supplied arms.

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[] Another plan reportedly suggests that the Christians and Muslims, under Syrian supervision, will store their weapons at a few central depots in areas they control.

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[] Although Iraqi units have recently begun withdrawing from Lebanon in small numbers, we believe several thousand Iraqi troops remain in the country, mainly in the south. []

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SOUTH KOREA: KCIA Chief Removed

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[] The chief of the South Korean Central Intelligence Agency, Sin Chik-su, was removed from his post early today. Several other government changes were also announced.

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[] Sin has been one of the most influential men around President Pak in recent years, with major responsibilities in both domestic and foreign affairs. His removal now appears to be a direct result of scandals involving South Korean intelligence personnel in the US. Sin's replacement, Kim Chae-kyu, has military and intelligence background and most recently was minister of construction.

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[] The other appointees include new ministers of justice, construction, education, and reunification. There are rumors that the South Korean ambassador to the US will be replaced in the near future and that additional changes involving positions in economic planning will be made.

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[] Leadership changes at year's end are routine in South Korea. The shuffle this year may be more sweeping than usual, however, as Pak attempts to bring in new faces for what he clearly sees as a troubled phase in US - South Korean relations. []

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JAPAN: Pre-election Polls

25X1 [] With Japan's national election set for tomorrow, the ruling Liberal Democratic Party is mounting a final push to win the 271 seats it needs for a working majority in the Diet's 511-member lower house.

25X1 [] The party's effort has been spurred by national opinion polls published over the past few days that indicate some improvement in the prospects for the moderate opposition parties--the Clean Government and the Democratic Socialist parties--and for the New Liberal Club, a group of dissident conservatives who bolted the ruling party earlier this year.

25X1 [] The polls also show an increase in popular support for independent candidates, which will work to the Liberal Democrats' advantage. Most independents are conservatives who failed to gain the ruling party's official endorsement. As in the past, the majority of the 14 or so independents elected will subsequently join the Liberal Democratic Party. At this point, the party will probably need the addition of independents to achieve the necessary 271 seats.

25X1 [] Stumping tours by Liberal Democratic leaders, including Prime Minister Miki and former deputy prime minister Fukuda, are concentrating on some 30 election districts where the returns are likely to be close. With more than 30 percent of the voters still undecided, the party's last minute drive combined with the addition of conservative independents should ensure continued Liberal Democratic Party control of the legislative process in the lower house. []

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POLAND: Gierek Speaks at Plenum

25X1 [] Party leader Gierek's low-key and defensive speech to the Central Committee plenum on Wednesday will do little to lessen the widespread feeling in Poland that the regime is drifting. According to the US embassy, Gierek's main preoccupation is to muddle through the coming year in hopes that better harvests and increased industrial production from new factories will pull his leadership through.

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[] Gierek admitted that serious economic difficulties exist, but tried to allay popular fears about the future. He said the new five-year plan will be redirected to put more stress on supplying consumer goods, especially food. Investment for producer goods is to receive less emphasis.

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[] These changes, however, do not appear to mean a massive redirection or retrenchment of the Polish economy, as some Western commentators have implied. In any case, the people will continue to await concrete results, and these may be slow in coming.

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[] Gierek chided workers for their low productivity, for not understanding the complexities of the development process and for forgetting how far Poland has come in the past five years. He was much more severe on his internal critics, particularly the dissident intellectuals, for "raising a hand against the fatherland."

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[] Gierek stressed the need to consolidate the leading role and political control of the party over the activity of the state and economic apparatus at all levels. He also enjoined party workers to be more active in ensuring "honest work and proper attitude" of state functionaries. []

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SPAIN: Socialists Open Congress

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[] The Spanish Socialist Workers Party will open its congress tomorrow amid signs that some radical members may attempt to move the party further leftward.

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[] As the major socialist faction in Spain, the party remains the only viable democratic alternative on the left to the Communists. It is weakened, however, by internal conflicts as it searches for an identity that will distinguish it from the Communists without alienating important support.

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[] The rapid growth of the party over the past year has resulted in a membership that is more radical than the leadership, and also more radical than much of the party's potential constituency, which includes white-collar workers and small businessmen as well as blue-collar workers.

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[] If the party moves much further to the left, it will lose a significant number of potential supporters, and some of the more moderate members will probably desert it. In the face of Communist competition, the party would have difficulty offsetting these losses with gains among leftists. On the other hand, if the party moves toward the center and an accommodation with the government, radical members will probably split off to join or ally with the Communists, who would thereby broaden their base of support among workers.

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[] Felipe Gonzalez and the rest of the Socialist leaders are also torn between their principles and their tactical reading of the political situation. They are committed to free elections, but they fear that support for the government's program would allow the Communist Party--cast in the role of martyr for being banned from the election--to assert with some credibility that it is the only true representative of the left.

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[] At the Socialist congress, which will be attended by a host of European socialist leaders including Brandt, Mitterrand, and Soares, the relatively moderate leaders will try to stave off motions that would lock the party in a collision course with the government. They will almost certainly call for abstention in the referendum this month, although they expect the government proposals to win comfortably.

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[] The election next spring is a different matter. A motion specifically binding Socialist participation in the election to legalization of the Communist Party, for example, could isolate the party in the competition with the more moderate left. []

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INTERNATIONAL: World Sugar Surplus

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[] The sharp increase in world sugar stocks this year probably will hold sugar prices at their current low level. This in turn will lead to demands from major sugar exporters for an international agreement to boost prices.

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[] After several years of tight supplies and high world prices, the world sugar situation has eased dramatically. In the 1975/76 crop year, which ended in August, production exceeded consumption by 2.5 million tons, returning world stocks to a level traders consider necessary for market stability.

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[] Free world sugar prices fell from a record \$0.66 per pound in November 1974 to \$0.14 per pound during the first seven months of this year. In late summer, sugar prices dropped to the present \$0.08 level because of larger than expected inventories and predictions of a record 1976/77 crop.

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[] Expanded sugar acreage encouraged by earlier record prices and improved weather in several countries probably will boost world sugar production by 5 percent in 1976/77 to 87 million tons. About half of the increase in output will come from Brazil, South Africa, Australia, and India. One third of the rise will be accounted for by the USSR, the remainder by the smaller African, Asian, and South American countries.

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[] Production in much of Europe and the Caribbean, including Cuba, probably will remain unchanged; adverse weather conditions will offset any gains from increased acreage.

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[] The expected increase in output will greatly exceed consumption gains and result in a further large increase in world stocks. World consumption will increase from 80.5 million tons to at least 82 million tons next year and could go as high as 84 million tons. The expected increase in consumption is tied to lower world prices, increased supplies in poorer countries, continued world economic recovery, and a slowdown in the substitution of high-fructose corn syrup for sugar in the US.

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[] World stocks should rise by at least 3 million tons, to 23 million tons. Exporting countries, some of which already have above-normal inventories, will probably bear the brunt of the stock increase.

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[] Because the market probably has already discounted the prospective rise in the sugar surplus, prices will continue to fluctuate in the \$0.07-to-\$0.09 range through most of the first

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half of 1977. Prices in the second half of 1977 will be heavily influenced by the outlook for the 1977/78 crop--to be planted next spring--and by progress made toward a new international sugar agreement.

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[] The decline in world sugar prices since January 1, 1976, has caused serious balance-of-payments problems for several sugar exporters. Hardest hit have been small countries that are substantially dependent on sugar revenues--mostly the single crop economies of the Caribbean and the Philippines.

--Reduced sugar earnings in the Dominican Republic will create a \$100-million trade deficit this year--compared with a \$120-million surplus in 1975--forcing a curtailment of imports and economic growth.

--Although Cuba continues to receive 30 cents per pound from the USSR, the drop in free market prices has already forced Havana to suspend all but the most necessary imports from the West, thereby curtailing economic activity and forcing a significant downward revision of Cuba's first five-year plan (1976-1980).

--In Barbados, Jamaica, Belize, and Guyana, lower prices have combined with stagnating sugar output and lagging tourist and bauxite revenues to block cuts in current-account deficits.

--Reduced sugar revenues in the Philippines have largely offset higher copper and timber sales, preventing any significant improvement over last year's \$1-billion trade deficit.

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[] Members of the Group of Latin American and Caribbean Sugar Exporters are increasingly concerned over low sugar prices but have yet to take concerted action. Several members are highly critical of the recent increase in the US sugar tariff, for example, but the group has been unable to agree on lodging a formal protest. []

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INTERNATIONAL: Agriculture Agreement Near

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[] The International Fund for Agricultural Development may soon reach its \$1-billion target for pledges to help developing nations boost food output.

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[] The Organization of Petroleum Exporting Countries probably will pledge \$435 million; developed countries will promise a major share of the balance.

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[] The fund was proposed more than two years ago at the World Food Conference, but a dispute over the share OPEC would finance delayed implementation. Western nations originally called for roughly equal pledges by both oil exporting and

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developed countries. Last June, oil exporting countries pledged \$400 million from their special fund on the condition that developed nations contribute \$600 million.

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[] In late September, Iran increased its pledge by \$20 million in response to appeals by the UN Secretary General. At the urging of Saudi Arabia, the oil exporting countries have agreed to provide another \$15.5 million if developed countries add a like amount. Venezuela has pledged \$10 million; another \$5.5 million will come from the OPEC special fund.

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[] A meeting of the Fund's preparatory commission will be held on December 13 in Rome. []

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